

DIETMAR PEETZ

WAR AND WEALTH

PRESERVING AND PASSING ON VALUES

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To my ancestors, who had to fight in so many wars.
and my children who face a rapidly changing future.

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Table of contents

Introduction	8
1. Historical Analysis: The impact of past conflicts.....	10
1.1 A brief typology of war	10
1.2 The escalating character of wars.....	16
1.3 A looming major war in the 21st century?	20
1.4 How long do large-scale wars last?	26
2. Risks and opportunities before, during and after a major war	30
3. Asset protection strategies.....	47
3.1 Famous war profiteers	57
3.2 Critical Infrastructure during times of war	59
3.3 Hegemonic threat and the emergence of new networks	63
3.4 Who are the profiteers? Follow the money	69
3.5 How to do it the right way.....	72
4. Generational Wealth	80
4.1 Examples of the absence of generational wealth	82
4.2 The optimal asset allocation.....	86
4.3 Checklist for your family.....	89
5. Switzerland and Liechtenstein.....	91
6. The power of mindset.....	95
7. Summary and next steps	99

Introduction

If you are reading this eBook, then you are probably a more successful and responsible person than average. And if you have children, they also have a predisposition to intelligence, because a large part of intelligence is known to be inherited. Above-average intelligence not only helps in business life. It also increases the probability that in times of crisis you will not have to expect the same consequences as 95% of the population. Most people focus on risk avoidance. As a result, they reach their limits early on, although their intelligence and diligence would have promised more.

War is raging in Europe, and in the next few years it will escalate in your region as well. Most of us feel that we are at a historic turning point. Some speak of the end of the old order. We had a long period of peace, an almost eternal summer. We have now reached autumn. The question is: How do we prepare for winter so that we can experience the next spring? To do this, we need to understand the order in the chaos.

With the help of artificial intelligence, we have analyzed a data bank with all the wars of the last 3,000 years and found surprising recurring patterns. Unlike the many smaller wars, the cycle of large wars repeats about every 110 years. The last cycle was in 1914. If we add 110 years, it means that the current war situation could escalate soon. It also means that the decisions you make in the next few months will have a significant impact on your wealth for decades to come. Be prepared for the full arsenal of measures: Tax increases, asset levies, up to capital

controls and asset confiscation. We have to prepare for a long winter, but also make provisions for next spring. Because this is also a realization: every crisis and every war ends again. Therefore, it is important to plan strategically beyond the current situation. Some react paralyzed to the threat of war. The others reflect on their qualities and accept the challenge of overcoming this danger. With your superiority, you can overcome the challenge of war for your family. You have already proven through your success that you can deal with difficult situations.

For your children, too, there will be new, undreamed-of opportunities to rise above themselves. They will learn to take responsibility and develop their full potential.

Together as a family, you can overcome the threat and join the ranks of successful families who have overcome great challenges such as epidemics, wars and conflicts over generations. History is replete with examples of families who have benefited from adversity. With this book, you will understand the potential impact of a major upheaval on your wealth.

We give you the knowledge and tools you need to optimize your wealth flows. This will enable you to make informed decisions about your investments and even emerge stronger from a potential major war with your family and assets intact.

Zurich, November 2024

"Germany has declared war on Russia. - Swimming school in the afternoon".

Diary entry by Franz Kafka, 2.8.1914

"We are fighting a war against Russia and not against each other"

German Foreign Minister Annalena Baerbock at a keynote speech at the Parliamentary Assembly of the Council of Europe in Strasbourg, 25.1.2023

1. Historical Analysis: The impact of past conflicts

1.1 A brief typology of war

A conflict is an altercation between two or more parties involving different interests, goals or opinions. A conflict can be verbal or physical. It usually requires negotiation or compromise to be resolved.

War, on the other hand, is organized, systematic and often prolonged violence between two or more parties, usually waged by states or governments. There are different types of wars, which we will briefly introduce.

Civil wars, conventional wars and world wars

Civil wars are usually fought between groups within a country, e.g., between different ethnic groups, religious groups or factions within the government.

Some examples are the US Civil War (1861-1865), the Russian Civil War (1917-1921), the Chinese Civil War (1927-1950) and the Spanish Civil War (1936-1939).

A conventional war is an organized, armed conflict between different nations or states. Examples are the Hundred Years' War, which was fought between England and France from 1337 to 1453, the Russo-Japanese War (1904-1905) or the Korean War (1950-1953).

A world war involves several nations or states around the world. These conflicts are fought between major world powers and are characterized by widespread destruction and high casualty rates. An example of this is the War of the Spanish Succession from 1701 to 1714, where the warring parties were France and an alliance of England, the Netherlands, Austria and several other European countries.

The Napoleonic Wars, fought in Europe, Africa and America between 1799 and 1815, also changed the political landscape in Europe and the world. After the last great war (1914-1945),

Europe was disrupted and a new world order was established under the leadership of the USA.

First to fifth generations of warfare

It is necessary to look at the evolutionary development of warfare before we address the issue of war chaos. Military analysts distinguish between different generations of warfare.

In the first generation of warfare in modern times, large masses of soldiers fought in line formation. They fired volleys of musketry at their opponents and then went into close combat with the bayonet. Military order had been optimized by introducing a rank system and military training. This improved precision and increased firepower in combat.

The second generation of warfare, which emerged in the late 19th and early 20th centuries, was the first industrialized war. It was marked by the introduction of the machine gun and gas warfare. The trench warfare of the First World War was costly and bloody stalemates that claimed millions of lives.

The third generation of warfare, which emerged after the First World War, saw the increased use of armored vehicles and aircraft. This allowed for greater mobility (blitzkrieg) and firepower on the battlefield, but also led to even more destruction and casualties.

The fourth generation of warfare, which came into use in the late 20th century, was characterized by the use of asymmetric tactics such as guerrilla warfare and terrorism. This development made it much more difficult to achieve decisive victories because the enemy could blend in with the civilian population and escape detection.

The fifth generation of warfare is currently characterized by the integration of advanced technologies and artificial intelligence into military operations. Emphasis is placed on information warfare, cyber warfare, and the use of autonomous killing systems. Through intelligence, surveillance, and reconnaissance, warring parties gain strategic advantages and control the battlefield using technologies that can cause widespread destruction.

The evolution of warfare

First Generation		refers to ancient battles with large numbers of soldiers fighting in phalanx, line and column tactics with uniformed, state-led soldiers.
Second Generation		is the early modern tactic used after the invention of the rifled musket, the machine gun and indirect fire.
Third Generation		focuses on the use of late-modern, technology-derived tactics that rely on speed and surprise to crush enemy forces from behind ("blitzkrieg").
Fourth Generation		stands for decentralised forms of warfare, the blurring of the boundaries between war and politics, combatants and civilians by nation states
Fifth Generation		is mainly waged through social engineering and misinformation. Here, the opponent is not aware that he is the target or that he is losing the war.

The Evolution of warfare. Source: KuR Research¹

Each generation of warfare has been shaped by the technological and political advances of its time. Each has had a profound impact on the way wars have been fought and won. It is likely that warfare will continue to evolve in unpredictable ways as new technologies and strategies are developed. What

has remained virtually unchanged, however, is the nature of the escalating dynamics that lead to military conflict.

1.2 The escalating character of wars

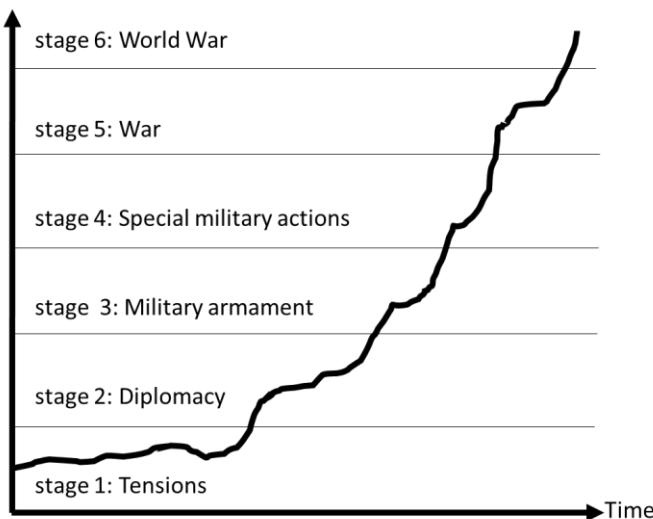
Wars do not just fall from the sky. They usually have a long history of psychological, sociological and military processes and events that reinforce the dynamics of a conflict, escalate and then discharge as war. The pattern of escalation that can lead to wars is often complex and involves a variety of factors. Generally, it is a gradual process involving several stages. A simplified pattern of escalation can be described as follows:

Escalation patterns of violence



Escalation patterns of violence. Source: KuR Research

The relationship is shown graphically in the next figure:



Escalation patterns of violence as a self-inforcing feedback loop.

Source: KuR Research

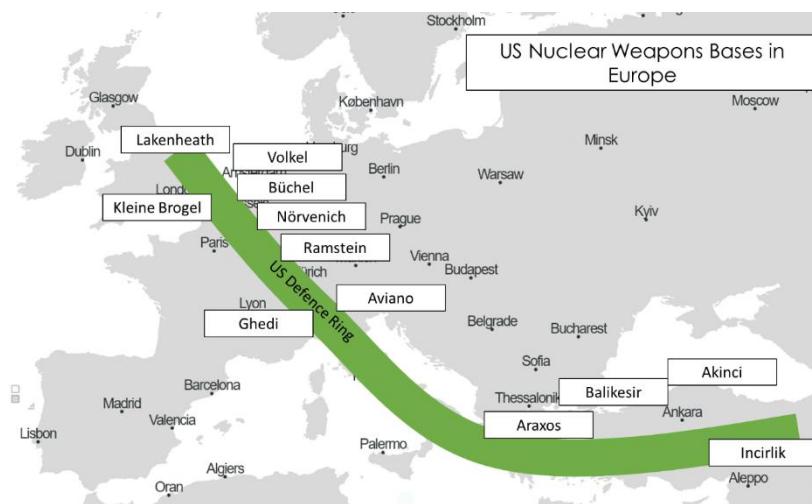
Escalation in relation to conflict can be understood as an exponential process. It arises through feedback: every action by one party triggers a reaction from the other party, which causes the conflict to intensify. This process continues until the conflict gets out of control. A spark is then enough to cause the powder keg to explode.

This is reminiscent of the numerous escalating conflicts in Europe before the outbreak of the First World War: the Agadir crisis in Morocco (1911), the Italian-Turkish War (1911-12) and the Balkan Wars (1912-1913). The assassination of the Austrian Archduke Ferdinand in Sarajevo on 28 June 1914 was the triggering event for the world war between the great powers.

This simplified model illustrates the danger of the Ukraine war escalating into a major war. The causes of this war reach deep into the past. They are part of a long conflict between great powers that has dangerously escalated due to unholy alliances and economic-financial entanglements. It is currently in phase 5, a grueling war of attrition. The situation is so dangerous because defeat threatens loss of face. The loser would no longer be feared for years or decades. So there is a lot at stake for both sides. In the background, China is working to further its economic and military interests in the world. This is another reason why NATO is supplying weapons and soldiers to the border and practicing for the worst.

Hardliners on both sides are making nuclear threats. Following the news and the rhetoric on both sides of the conflict, one is reminded of the early years of the Cold War. The fear of nuclear apocalypse is still part of psychological warfare today. However, the vast majority of military experts currently assess the probability of a nuclear war as very low. The inhibition threshold for a thermonuclear world war is high, because a nuclear exchange of blows would lead to the destruction of both warring parties. From a military point of view, this is not a desirable goal.

The positioning of the nuclear weapons of the USA is shown in the following figure. If the locations are connected, the result is an arc from southern England via the Benelux states, Germany and Italy to Greece and Turkey.



Official U.S. nuclear weapons bases in Europe. Source: KuR Research

If you are reading this eBook, you most likely live or have business connections in one of the countries along the US defense perimeter. These countries are theoretical targets for Russian nuclear weapons. But even if it is very unlikely that nuclear bombs will be used: you are definitely affected by possible flight movements, because many people want to get away from the affected areas out of fear of such a horror scenario.

1.3 A looming major war in the 21st century?

The situation for Ukraine at the end of 2024 was more than difficult. For a long time, warfare was determined by the development of increasingly sophisticated war techniques, including elements from the third, fourth and fifth generations.

But Ukraine is far too big to be defended or conquered. Ukraine has to defend thousands of kilometers of its border - from Belarus in the north down to Crimea in the south, according to Ben Barry, a former British Army brigadier general. On the other hand, even if the Russian side defeats Ukraine militarily, the country of 603,550 km² (about 1.7 times the area of Germany) is almost impossible to control.

Since the Napoleonic wars, Russian strategic thinking has been geared towards gaining time and exhausting the opponent in the long term. Russia's goal in Ukraine is therefore not to win a war, but a process. The process is about destroying the enemy's demographic pool and thus "cleansing" the conquered regions of unwelcome groups completely and sustainably, according to the Swiss military analyst Bernard Wicht.

Some voices in the West compared the situation in Ukraine at the beginning of 2024 with Vietnam or the war of position in the First World War. The longer the war lasted, the more they pushed for a decisive turn by any means.

For the West's main conflict is not the Ukraine war, nor the war in the Middle East, which had entered its hot phase in October 2023, but the conflict with China. China is developing into an ever-stronger economic power. In a number of key industries, such as manufacturing, technology and finance, China has become a serious competitor to the US.

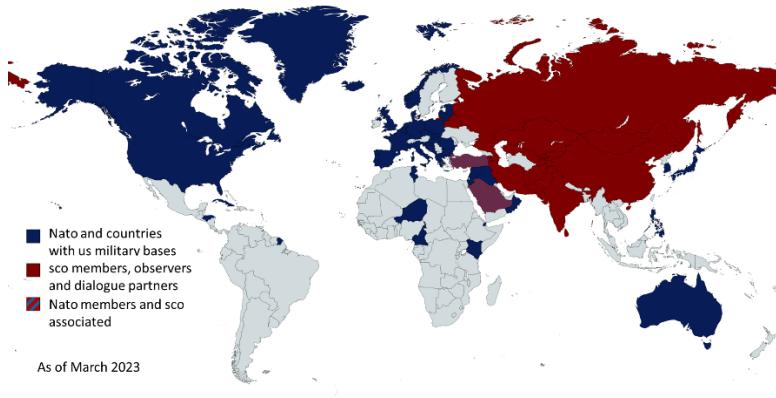
The situation is comparable to the hegemonic conflict between Great Britain and the German Reich on the eve of the First World War. With the rise of China, the USA sees the existing order based on its own rules threatened.

NATO must adapt to this threat. The intergovernmental political and military alliance was founded in 1949 to implement the North Atlantic Treaty, which was unsigned after the end of World War II. The organization promotes a collective defense strategy in which all member states pledge to ally against a common foreign enemy. Today, NATO has 30 members, comprising about 12% of the world's population.

The members of the Shanghai Cooperation Organization (SCO), founded on China's initiative, together account for almost half of the world's population, and their countries cover almost three-fifths of the Eurasian landmass.

This makes it the largest regional political alliance in the world. Often referred to as the Eastern Alliance, the SCO aims to promote cooperation and collaboration in the fields of security, trade, intelligence, technology, research and culture.

Four SCO members have considerable nuclear power.



The two big blocks in the world. Source: KuR Research

The US is critical of China's territorial claims and has conducted naval exercises in support of other countries with territorial claims in the region, such as the Philippines, Vietnam, Malaysia and Brunei. This is creating increasing tensions between the two countries as China has responded by increasing its military presence in the region.

China is planning to build a naval base in Argentina to serve as a "gateway" to Antarctica. "A possible Chinese base in Ushuaia would allow Beijing to have a permanent enclave in the Southern Hemisphere, with a projection towards the South Atlantic that, depending on the terms negotiated with Argentina, could allow the construction of facilities and the presence of naval units and military contingents in that quadrant," Alberto Rojas, director of the Observatory of International Affairs at Chile's Finis Terrae University, told

Diálogo, a military magazine published by the US Southern Command.

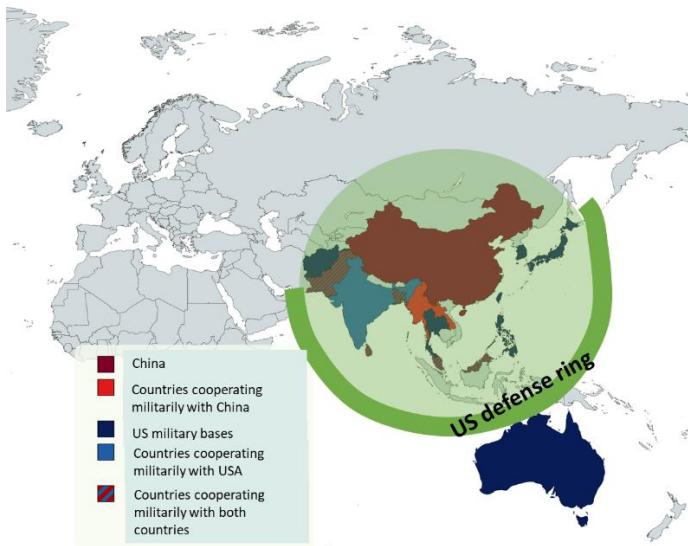


Chinese influence in South and Central America and Africa. Source: KuR Research

China has been expanding its strategic bases in South America and Africa. From 2018 to 2020, it invested heavily in mining in South America, including in the South American "lithium triangle": a region that includes parts of Argentina, Bolivia and Chile. These countries contain 56% of the world's lithium resources.

The U.S. is responding to the threat by arming itself. A new study by the Center for Strategic and International Studies (CSIS) in Washington concludes that the U.S. defense industry is not adequately prepared for a protracted conventional war against an enemy with a large force such as China. Information from the Ukraine war led CSIS to conclude that in a hot war with

China in the Taiwan Strait, the U.S. would use up its munitions, especially long-range precision-guided munitions, in less than a week.



The so-called Yuxi Circle (shaded green) is an area with a radius of about 4,000 kilometers. More people live inside the circle than outside. The IMF estimates that 80% of the world's future economic growth will be generated within this circle. A US defense ring (dark green) militarily closes off the area to the south. Source: KuR Research

Not only in Europe, but also in South America and Southeast Asia we find a strong US defense ring. It is better to refrain from

buying a holiday home along this ring. Especially Japan, Australia and New Zealand would be the next theatres of war after a Chinese breakthrough from this ring.

«山不容二虎»

"There is no place for two tigers on the mountain."

(Meaning: Two strong people are incompatible and cannot coexist in the same place).

Chinese proverb

1.4 How long do large-scale wars last?

Throughout history, empires have dissolved for a variety of reasons. Often it is the combination of unsustainable expansion and the associated costs of war that eventually outstrips the economic capacity of the empire. Without a strong economy and a strong currency, empires do not simply weaken, they are then challenged by a rising other empire.

This is what happened to the Spanish empire: it was one of the largest in world history. Despite the wealth generated by the American colonies, the Spanish were overwhelmed with the costs of wars and maintaining their vast territories. The result was an ever-increasing national debt that left little room for investment in their own country and led to a stagnant real economy. When the financial crises became more frequent, King Philip II declared national bankruptcy. The failure to pay the troops led to a mutiny. The Spanish king had to come to terms with the mutineers by making concessions and large monetary payments.

In order to be able to make these payments, Philip II was forced to enlist the help of moneylenders from Antwerp, which

extended Dutch influence. The once powerful Spanish army, crucial to the maintenance of the empire, fell into a vicious circle of national debt, tax increases, bankruptcy and mutinies. Although the Spanish tried to slow down the collapse by drastic measures, they could not stop it. Every military defeat further weakened their economy.

The Spanish-Dutch War laid the foundation for the rise of the Netherlands as a new world power. Their hegemony, in turn, ended when the Netherlands could no longer maintain its military after the rapid technological advances of the Thirty Years' War (1618-1648). The hegemon must spend an inordinate amount of money for its military power. The Netherlands lacked the capital to keep up with the innovations of the British, who were now able to rise in their turn. It took a new Thirty Years War (1914-1945) to end British supremacy.

According to some historians, the hegemon USA has been in the process of dissolution for some time. The U.S. operates some 900 military bases in countries outside its territory. It spends over US\$800 billion on its military budget each year. At the same time, the national debt is rising. Until now, the USA has been able to rely on the advantage of its currency. The U.S. dollar plays the central role in the global financial system and is the preferred currency for international capital flows.

Like previous great empires, the U.S. has used its currency as a weapon. They also exercise control over global payment systems such as the Society for Worldwide Interbank Financial Telecommunication (SWIFT). This allows them to freeze or block transactions by countries they see as a threat to their

interests. Under sanctions, they can restrict the use of the U.S. dollar, effectively cutting a country off from the global financial system, as Russia has done since March 2022.

In turn, Russia developed its own payment system (System for Transfer of Financial Messages), to which China, Iran, Turkey and numerous other countries are already connected. By circumventing the U.S. dollar as a transaction currency, these countries have become immune to U.S. sanctions.

The Russian side's stated goal is the end of the U.S. dollar as a reserve currency. A decline in demand for the U.S. dollar or U.S. Treasury bonds could raise U.S. interest rates and would limit the ability of the U.S. government to finance its debt. For the U.S., imports would become massively more expensive, further limiting its ability to pay interest on outstanding debt.

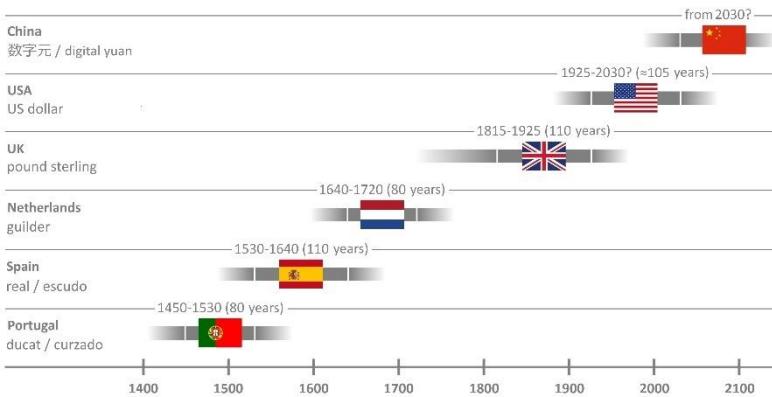
The U.S. had to shoulder a full US\$31 trillion in government debt in 2022. According to the U.S. Treasury Department, the government had net interest payments of US\$475 billion to make that year. A year earlier, the figure was US\$352 billion. With government revenues of around 7.2 trillion US\$ in 2021, this should be enough, one might think. However, it is important to note that government spending has already reached US\$9.7 trillion. US\$.

Experts expect that in 2025, interest payments will be substantially higher than the U.S. military budget. The sharp rise in inflation and the ever-increasing debt service to pay the interest are increasingly narrowing the government's scope for major military conflicts. Either the U.S. manages to grow its economy faster than its interest payments, or it introduces

drastic measures like previous hegemons; with consequences for citizens and especially for investors.

The U.S. dollar thus seamlessly joins the chain of former world trade and reserve currencies. We expect the US dollar to be replaced by a digital yuan by 2030 at the latest (see figure below).

Evolution in world trade currencies



Hegemonies and world trade currencies over the last 500 years.

Source: KuR Research

"In war, truth is the first casualty".

Senator Hiram Johnson, 1914

*"The life of a sick person
can be shortened not only by a doctor's actions,
but by his words."*

American Medical Association, 1847

2. Risks and opportunities before, during and after a major war

To develop strategies to protect our assets, we need to understand the potential impact of war on financial markets and private wealth. Hope is not a good method. Only with a correct and ruthless diagnosis can an effective therapy be developed. But most people are afraid of change. They value the familiar and want to hold on to the tried and tested.

This risk aversion and security thinking are dangerous in times of great change. The fear of losing something blocks the view of the opportunities that arise from adaptation strategies. People who are used to dealing with risks have a decisive competitive advantage here. Even if they are affected by the hegemonic cycle, they can initiate their own cycle of renewal.

It is therefore a matter of taking one's own destiny into one's own hands by acknowledging reality and not closing one's eyes to change. Then it is possible to develop an optimal strategy of action or behavior, depending on the phase of the war cycle in which one currently finds oneself. We distinguish between the period before a war (A), during a war (B) and after a war (C).

Let us start with the factors that are typically found before the war (A). It is a sad truth that preparations for war often lead democracies to abandon their liberal nature and move towards totalitarianism. For example, in the early 20th century we saw governments in Europe and North America curtail civil liberties and influence public opinion in order to win popular support for war.

This was accompanied by the surveillance of citizens and the abolition of freedom of expression. Governments had to control or influence the media to spread a unified message and suppress criticism of government policies.

This in turn led to a concentration of power in the hands of a few individuals or groups. Examples are totalitarian regimes such as fascism in Italy and National Socialism in Germany after the First World War. Also, in socialist systems such as Stalinism in the Soviet Union or Maoism in China, supreme authority was attributed to a "collective" in which the individual disappears.

Today, the electronic means of influencing public opinion are more sophisticated and much more effective. However, it is never about the truth, but only about the enforcement of political interests through the unification (collectivization) of the opinion of the masses. Let us look at the situation in

Germany before the Second World War. The preparations for war envisaged considerable restrictions on the management of property.

According to the party program of 1935, the socialist demands of "common good before self-interest" and "breaking the bondage of interest" were to be at the center of National Socialism. Solidarity with the collective was the top priority. In 1936, the National Socialists froze property prices and rents in Germany. In addition, there were extensive special burdens for property owners, such as the rent tax and other burdensome social contributions. Profits earned in the private sector were capped at 6%. Anything above that was skimmed off by the state.

On 12 June 1936, the law against betrayal of the German economy was passed, which again made the possession of foreign currency and gold a punishable offence. On 1 December 1936, the Law against Economic Sabotage was passed: Damage to the German national economy through currency shifting was punishable by death. Germans who did not retrieve their assets from abroad thus had to expect death. The Secret State Police (Gestapo) supported the customs investigation offices in implementing the laws.

In 1937, the Reichsbank sold German holdings in foreign shares to generate foreign currency income. The German population was "encouraged" to hand over cash, gold, foreign bank deposits and securities in exchange for compensation. At the same time, it was announced that there would soon be an obligation to surrender. Some historians believe that the

increasing lack of money from 1938 onwards, together with other economic crisis factors, determined the timing of the German invasion of Poland in 1939 and thus the official start of the Second World War. With the outbreak of the war, the capital market was placed under the control of the Reich government in order to bring inflation under control.

Once basic rights are suspended, further measures can be taken during the war (B) that were unimaginable in peacetime. Martial law or de facto martial law is a state of emergency in which the military takes control of a country or region. Civil liberties and legal procedures are suspended, and central power is consolidated.

During World War II, the US government confiscated the assets of Japanese Americans as a precautionary measure to protect against possible espionage and sabotage. This was done through Executive Order 9066, issued by President Franklin D. Roosevelt on 19 February. Roosevelt signed on 19 February 1942. As a result of this order, more than 120,000 Japanese US citizens were interned in camps for the duration of the war. They were forced to leave behind their property, including their homes, businesses and personal belongings. It was often sold or auctioned off for a fraction of its value.

The confiscation of assets, especially from wealthy minorities, is a frequent phenomenon in history. Why? Because wealth is a source of power. Confiscation of wealth is meant to prevent counter-revolutions. Especially during socialist revolutions or civil wars, the displaced wealthy had to flee. Those who stayed behind were often executed. There is a bitter

pill to swallow here. War and the totalitarian tendencies that accompany it pose a massive challenge to wealthy families, as the measures are aimed at abolishing property rights in order to establish the politically desired ideal state. Wars are enormously resource-intensive and require "vast sums" of money that the state does not have. Either it takes it from the citizens or it uses the printing press, which drives inflation.

During the First World War, the German Empire banned private ownership of gold and foreign currency in order to control inflation. In the Weimar Republic, this ban was lifted, only to be imposed again a short time later. The Weimar Republic had to restrict the free movement of capital because of the world economic crisis and the reparations payments. When it was foreseeable that many wealthy people wanted to leave Germany, the Reich Flight Tax was enacted in 1931 to prevent them from doing so.

For the USA, the Vietnam War was an expensive affair, costing almost a trillion US dollars in today's money units. To raise this sum, the US Federal Reserve had to inject the money into the economic cycle, which increased inflation and put pressure on the dollar, which was still pegged to the price of gold at the time. To counteract this development, the Federal Reserve raised interest rates. This led to a cooling of the economy and an increase in unemployment.

Shortly before the elections in August 1971, then President Nixon froze wages, prices and rents for 90 days. Large companies were allowed to raise prices by no more than 2.5 per cent, and wage increases were limited to 5.5 per cent. With the

prospect of falling profits, companies reacted as they always do to government-imposed price controls: by reducing their production. When the unchanged strong demand met the reduced supply, inflation rose again. Contrary to expectations, price controls continued to drive inflation.

On 15 August 1971, Nixon therefore had to declare the end of the obligation to redeem the dollar in gold. On 17/18 December, the dollar was devalued against gold. The accumulated inflation caused an explosion in the price of gold and shook the international monetary system.

In severe cases, a war can even lead to hyperinflation. Prices then rise uncontrollably at an accelerating pace, making it even harder for the government to continue the war effort. Below are some examples of past wars that have led to inflation and hyperinflation:

- the American Civil War: The Union government's financing of the war effort through money printing led to a substantial increase in inflation, with the consumer price index rising by more than 80% between 1861 and 1865.

- The Korean War in the early 1950s: The US government financed the war effort by printing money, which caused inflation to rise significantly. In 1951, the Consumer Price Index (CPI) rose by 7.5% and in 1952 by as much as 14.6%.

- The Gulf War (1990/1991): The rise in oil prices triggered by the war and the disruption of world trade triggered global inflation, which hit countries dependent on oil imports particularly hard.

- The Iraq-Iran war in the 1980s: The prolonged war between the two countries led to significant destruction of infrastructure and disruption of trade, triggering hyper-inflation in both countries. This was exacerbated by the fall in oil prices at the time, which were an important source of revenue for the countries.
- The Yugoslav hyperinflation of 1993/1994: After the break-up of Yugoslavia, the country was hit by civil war and sanctions. The government financed its war effort by printing money, which led to hyperinflation. In January 1994, the monthly inflation rate reached 313%, rendering the country's currency, the dinar, virtually worthless.
- Zimbabwean hyperinflation of the 2000s: The Zimbabwean government financed its war effort in the Democratic Republic of Congo and its land reforms by printing money. This led to hyperinflation. In 2008, the country's inflation rate reached an all-time high of 79.6 billion %, rendering the currency worthless. Foreign currencies had to be introduced.
- the Iraq war in the early 2000s: As a result of the war, the country was hit by inflation caused by several factors, including the destruction of infrastructure, high militia spending, an increase in demand and a shortage of goods and services, and finally the depreciation of the national currency.
- The Syrian civil war since 2011: The civil war continues to cause enormous damage to the country's economy and infrastructure and led to a hyperinflation. The value of the national currency declined significantly, and the high demand

for goods and services due to the displacement of the population led to a shortage of goods and services with a high rate of inflation.

Hyperinflation is not necessarily war-related. It is primarily the overhang of money in relation to available goods and services. This was the case during the hyperinflation in Germany in 1923 after the French occupation of the Ruhr. The occupation led to a severe economic crisis in Germany and the government introduced property taxes to raise additional revenue. The taxes affected the wealthy classes and contributed to social and political unrest in the country.

There was a complete loss of confidence in the electorate. As a result, the value of shares on paper multiplied within a few months - only to fall again just as quickly. Measured in gold, shares lost a great deal of their purchasing power. Such tangible assets therefore provide only limited protection against inflation in the event of a system collapse. Most people at that time were also forced to liquidate assets far below their market value in order to buy goods for their daily needs.

In his autobiography, Leonhard Frank (1882-1961) writes about his experience in 1923: "At that time, the mark was moving faster into the abyss day by day. An acquaintance of Michael's had bought a new Benz convertible a year before, against a bill of exchange due in a year, and now redeemed it with inflation marks. The new car cost him the gold value of 10 pfennigs - a ten-penny mark. The savings bank books of millions of little people who had laid penny to penny for decades, for their old age, had become paper. The overwhelming misery

drove thousands of these bereft, hopeless old people to suicide" (source: Leonhard Frank (1963), "Links, wo das Herz ist", Munich).

In Lion Feuchtwanger's book we read about the events of 1923: "In the countryside, people were free of debt and lived ever more lavishly as inflation increased; more and more farmers kept automobiles and racing horses.

In the cities, however, hunger was on the increase. Bread became as unhealthy as it had been during the war.... In schools, children sat without breakfast and fainted during lessons. Tuberculosis spread... Infant mortality increased. Young mothers, forced to work, had to give up breastfeeding their children. Once again, musty caves served as homes, newspaper as a substitute for linen, cardboard boxes as cots. It was a cold winter. Along the Ruhr, the land was covered more and more with highly stratified coal, and a large part of Germany froze in unheated rooms", (Source: Lion Feuchtwanger (1984), "Erfolg. Drei Jahre Geschichte einer Provinz (1929)", Frankfurt am Main).

With mass unemployment, vacancies increased and rent defaults occurred. In addition, many property owners could no longer afford the maintenance investments, which caused the value of their properties to fall. Overall, after the currency reform in 1923, house and land prices fell back to the level of 1920.

The picture is clearest in the case of prices for land ready for building in Cologne: after the currency reform of 1923, they even fell below the level of 1913 and remained at the lowest

level for almost 30 years. Property speculators are often seen as the winners of the hyperinflation, because the property loans would have paid for themselves through the devaluation of money. But this is not the case. In 1924, the Weimar Republic levied a house interest tax on residential property acquired before July 1918, which was intended to make owners contribute to the costs of publicly subsidized housing construction.

These examples illustrate: In a hot war, international diversification is probably no longer possible for you. Investments in hostile countries can be seized overnight, as Russian investors painfully learned in March 2022. Equity risks could be burdened by additional supply chain disruption problems during the war, as we also learned in early 2022. Again, there are historical parallels that are instructive for investors, which we will return to in Chapter 3.

In the information age, digital central bank currencies (CBDCs) provide governments with entirely new ways to maintain control over payment flows. The pilot phases will end at most central banks in 2023, so that the technical prerequisites are in place for a widespread introduction from around 2024. What is missing is only the political signal.

By enabling real-time monitoring and regulation of the financial system, a digital central bank currency could reduce the risk of inflation or hyperinflation, proponents argue. It is an inconvenient truth that we will then probably have to adjust to a restriction of liberty or property rights. These CBDCs can be programmed not only to solve the government's debt problem,

but also to replace cash and current accounts. This way, the government can track what you spend your money on, where you spend it and when you spend it. Then, if you rebel against certain government measures or otherwise attract negative attention, e.g. as an opposition member or environmental offender, you can be denied access to all society's services overnight - as is already happening in China today.

In Switzerland, people are aware of the drastic consequences of digital central bank currencies and in February 2023 launched a popular initiative "Yes to an independent, free Swiss currency with coins or banknotes (cash is freedom)". The initiative aims to change the law so that a referendum is held before the people before the Swiss franc is replaced by another currency. Cash could then be used to pay in Switzerland even in the event of a power failure or a hacker attack.

Consequences of a digital central bank currency

Privacy		Governments can track in real time what you spend, where and when. You can no longer "hide" your savings under your mattress or from the authorities.
National Security		If it serves national security, the authorities can freeze digital bank accounts of protesters and opposition members and their families in order to end the protest.
Ban on cash		There must be no exceptions in the digital currency system, otherwise it would not work. Cash will then be worthless. Anyone who still accepts cash then will be liable to prosecution.
Social credit system		The political, moral and social behaviour of citizens is recorded and "optimised" for the purposes of governance. Therefore, a system of social control and rewards must be compulsorily introduced.
Loss of cohesion		The state reward system encourages denunciation, which in the long run destroys cohesion in society.

The consequences of a digital central bank currency. Source: KuR Research

The measures do not necessarily end after the war (C). On the contrary, at this point most people lose their assets if they are among the war losers. The confiscation of valuables is an old tradition in the post-war period. Finally, the loser has to pay for the costs incurred by the victor in the war.

Some examples of measures after the Second World War:

Measures after World War II

Confiscation		The Allies confiscated the property of wealthy Germans, including their land and businesses.
Nationalization		Many companies that had been used to support the war effort were nationalized by the Allies.
Sanctions		The Allies imposed heavy fines and penalties that were used to finance the reconstruction of Europe.
Reparations		Germany had to pay reparations to the victorious countries as well as to individuals
Compensation		Jews and other victims of the Holocaust received compensation payments from the German government and from the assets of Holocaust perpetrators.

Measures after the Second World War. Source: KuR Research

The Second World War was officially over in 1945, but the economy was still in ruins for years. Due to war damage, many transport routes were impassable, important suppliers were separated by zones and could no longer produce, which crippled the economy. By 1947, Germany's gross domestic product had fallen by 80 %. And as in the period after the First World War, in 1945 a huge sum of Reichsmarks was matched by a very low production of goods.

As the pent-up credit inflation unloaded, the purchasing power of the currency fell, reflected in rising prices for consumer goods on the black market. And just as in 1923/1924, the state ended the problem of pent-up credit inflation with an unannounced (but in principle widely expected) currency reform.

Debts were exchanged at a ratio of 10 Reichsmarks to 1 DM. Wages, pensions, rents and shares were exchanged at a ratio of 1 Reichsmark to 1 DM. Cash and account balances were exchanged at a ratio of 100 RM to 5.5 DM. An ounce of gold remained an ounce, which could be exchanged at the time at a price of US\$34.71, equivalent to about 146 Reichsmarks or newly 116 DM.

So anyone who had exchanged 10,000 Reichsmarks for gold in time (and at the risk of his life) during the war still had 7,912 DM after the currency reform. Between 1945 and 1947, it was supposedly possible to buy a villa for 5 g gold or a limousine for about 3 g gold. This comparison, however, is very misleading. In the years between 1945 and 1949, millions of civilians died in Germany and other countries as a result of violence, malnutrition and epidemics. A villa or a limousine was one of the least pressing problems for the majority of people in this time of naked struggle for survival.

Globally diversified investors were rare in Germany at that time. For many Germans, the real problem began after 1945. Those who, as non-Jews, had moved their assets abroad before or during the war were expropriated by the foreign governments without compensation. During the war, for example, German citizens who lived and worked in England were interned and deported to Germany in 1945 without their assets.

This was part of the 1944 Morgenthau Plan, which expropriated German entrepreneurs and private individuals for the benefit of the victorious states, taking away factories,

houses, land, securities and even the furnishings of their homes. The justification was that German foreign assets could pose a threat to world peace. Germans who lived in one of the 19 states at war with Germany lost all their property. The total volume of this money is estimated at DM 4.5 to 9 billion.

Under pressure from the USA, states that had not taken part in the war (such as Switzerland) undertook to liquidate German private property and to transfer half of the proceeds to the Inter-Allied Reparations Office. Only countries such as Uruguay or Mexico later decided to return property to German private individuals. For the people who had fled the approaching catastrophe, it was a bitter blow that they ended up being liable with their own assets for the debts of their former government.

However, the main burden of the war damage was borne by the lower and middle classes, which in turn threatened social cohesion. Therefore, after the currency reform in 1949, the German government enacted an extensive equalization of burdens law. The equalization of burdens on land and houses meant that land not bombed by the Allies was burdened with 50% of its former value. For "profits on credit" that had arisen from the currency reform, a burden equalization was even levied in full. Lessons had been learned from past experience. The rent and housing price brake introduced by the National Socialists in 1936 remained in force until 1955.

The idea of many investors in real assets that they could live off their rental income thus proved to be a fallacy in retrospect. The free movement of capital for private individuals had already been banned under National Socialism and strict

exchange control laws applied. This continued well into the 1950s. The first share prices after the war were more than 90 % below their last Reichsmark quotations. The losses were also so high because the exchange ratio for goods, wages and rents was fixed at 1 (1 Deutsche Mark = 1 Reichsmark).

Nevertheless, the German share index rose by several thousand per cent between 1949 and 1959, especially for shares in the construction industry. However, this would not have been possible without the enormous destruction caused by the war and the associated reconstruction. The yield picture was different for real estate. Thanks to fixed rents, prices in most cities hardly moved over the next few years.

After the war, many countries, especially the USA, experienced an economic boom that became known as the "post-war economic miracle" and the "golden age of capitalism". The period of prosperity after the Second World War was characterized by low unemployment, low inflation and steady economic growth under the Pax America, i.e., the peace order maintained by the world power USA and stability through worldwide military presence and the US dollar as reserve currency.

As a conclusion we can state that you have to adapt your asset allocation to the respective phase (A), (B) or (C) of the conflict. Strategies that generated adequate returns in peacetime can have fatal consequences during and especially after wartime. You therefore need good information management in order to "sense" changes in the framework

conditions at an early stage and to take appropriate measures. For this you need social capital.

"The further we can look into the past, the further we can probably look into the future."

Winston Churchill

3. Asset protection strategies

Investments in gold are often seen as a hedge against currency devaluation and are therefore considered a safe haven in times of economic uncertainty. Gold has a 5,000-year history as a means of payment in wars thanks to its unlimited lifespan. The idea is that gold will retain its value even if the monetary system collapses. It may even increase in value as people seek alternative currencies or assets.

In this context, the behavior of the central banks of the Eastern Alliance is striking. President Putin told the public as early as June 2022 that most would divest themselves of the dollar and the euro while increasing their gold reserves. Gold is the only tangible asset they can own that is not stored in Western treasuries and can be confiscated. It remains questionable whether Western countries can then still allow private gold ownership.

Besides gold, there are good arguments for land: land is a finite resource. As the population grows, demand for it increases, leading to a potential increase in value over time. Land can be a source of rental income if it is used for agricultural or commercial purposes or if it is developed into

residential or commercial property. The same is true for houses.

Real estate is a tangible asset that can be held for long periods of time (the lifespan of houses is three to four generations). They serve to collect cash flows. Behind this is the conviction that people will always live somewhere. In times of war, however, rents can be frozen. This reduces the value of the houses because necessary renovations can no longer be paid out of the cash flow.

Timber is a renewable but finite resource. As demand for timber products increases, the value of forests and timber can increase over time. Forest and timber investments can create wealth streams through the sale of timber and other forest products. Timber is often seen as a hedge against inflation, as the cost of producing timber products can rise along with the cost of other goods and services. Investments in forests and timber can also support sustainable forestry practices, which increases the value and longevity of the investment.

Forests have harvest cycles of about three to four generations and can therefore survive very long periods of war (if managed appropriately).

Investing in art can be a good long-term strategy. Art is not only a beautiful and visually impressive object; it also has the potential for significant increases in value. The value of artworks can increase over time as demand for a particular artist or style increases and as the rarity of a work increases due to its age or condition. The right artwork is a mobile asset.

However, parking one's assets in art can be problematic in wartime. Even if valuable works of art can be brought to safety from bombing or looting, they often fetch only a fraction of their true value when sold.

Keeping art at home is also dangerous. During the French Revolution or the Cultural Revolution in China, many art treasures were confiscated and sold to finance the revolutions or destroyed as symbols of the old regimes. Thousands of paintings and sculptures were lost. During the Spanish Civil War, too, many works of art were destroyed or vandalized as a result of the fighting or in the context of political upheavals.

The purchase of a (cultivated) vineyard is interesting because vineyards basically have an unlimited lifespan, provided the climate plays along. The value of wine can increase over time, especially if the vineyard is located in a region known for producing high quality wines and if the reputation of the vineyard and its wines grows.

Wine production can provide a source of income through the sale of wines. Investing in a vineyard offers the opportunity to create a lasting legacy for future generations, as it and its wines can be passed on and enjoyed for many years.

Basically, all of the real assets presented can be lost in times of crisis through confiscation or destruction.

Investments in Real Assets

Gold		Holds purchasing power since thousands of years. Risk of theft and confiscation in the event of war. Does not generate current asset flows.
Land		Regular cash flows when cultivated. Performance can be seen as a function of population growth and urbanization. Immobility means that the state can introduce compulsory taxes.
Real Estate		Immobility means that the state can impose taxes or freeze rents. Creates steady streams of cash flow.
Timber		regular cash flows can be deferred over generations and thus remain protected from the state's access.
Art		No current cash flows but appreciation possible in later generations (deferral of capital gains taxes). Risk of destruction or theft.

Opportunities for real asset investments. Source: KuR Research

What about financial investments?

We have already outlined what can happen with shares, using Germany as an example. In war, share prices are directly linked to military success. In the Second World War, British shares fell to their lowest level after the British Expeditionary Corps was crushed by the German Wehrmacht at Dunkirk. All indications were that the Nazis would win the war in superior fashion. The German stock market peaked in December 1941, about six months after the invasion of the Soviet Union, which, with more than ten million fighters, was considered the largest land offensive in history and had devastating consequences for the occupied territories.

The Japanese stock market peaked in 1942, when the country was successful on all fronts. The turning point came

when the USA won a great victory in the Battle of Midway. The German campaign also reached its peak in 1942. It ended with the defeat at Stalingrad, which was to secure access to the Russian oil fields in the Caucasus. Immediately afterwards, the SS began planning for the reconstruction of Germany after the lost war. The "military bubble" had burst and with it the wartime economic bubble that drove share prices.



Performance of German stocks between 1930 and 1950, Source:
KuR Research

The long-term analysis shows the superiority of equities as an investment strategy, provided one had the nerve to ride out the massive setbacks. But without the devastation of the war, there would hardly have been such a race to catch up in the 1950s and 1960s.



Nominal performance of German equities (total return) between 1869 and 2020 (logarithmic representation). Source: KuR Research

Baron Nathan Mayer Rothschild's saying applies here: "You buy when there is blood in the streets." Rothschild made a fortune buying in the panic that followed the Battle of Waterloo against Napoleon. What this means for you in concrete terms is: use information management that cleverly interprets the effects of geopolitics and the dynamics in warfare.

Government bonds are the least recommended option. They only bring disadvantages, as numerous examples show. Not only because of the inflation risk and the loss of purchasing power, but also because of the insolvency of countries that have lost the war. From the point of view of the stability and

sustainability of family wealth, government bonds are not attractive as a safe form of investment when a hegemon has reached the end of its life cycle and repayment is at risk.

Take Russian government bonds. At the beginning of the 20th century, they were one of the best performing asset classes. For many investors at that time, it was unthinkable that Russia, rich in raw materials, would not meet its payment obligations. After the October Revolution of 1917, Russia ran into payment difficulties due to the political and economic turmoil. The consequences of this default were significant for national and international investors as well as for the Russian economy as a whole.

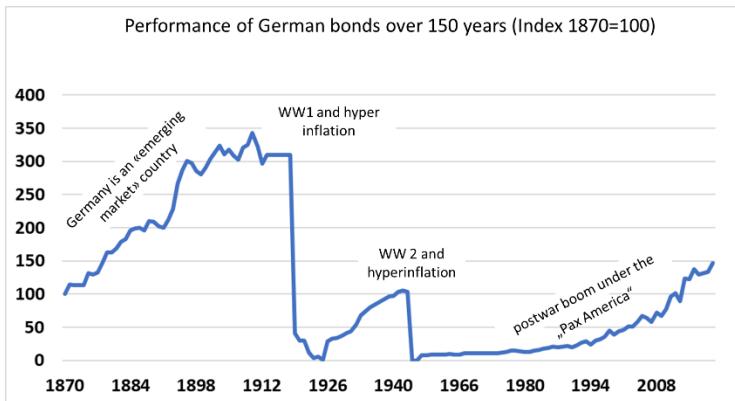
French investors who had invested heavily in Russian government bonds suffered substantial losses. The French government tried to recoup its losses by pressuring the Soviet government to repay bondholders when Russia wanted to return to the international capital markets. In the mid-1990s, Russia signed an agreement with France on the debts of the Romanov government and paid €330 million to Paris.

Even after the sanctions against Russia in 2022, the losses for holders of Russian government bonds were severe. This led to another default on government bonds and a loss in the value of the investments. How long will investors have to wait this time to see their money again?



Nominal performance of Russian government bonds (total return) between 1871 and 2022. Source: KuR Research

The same applies to Germany. The country currently enjoys the privilege of the highest credit rating and is considered very safe. But the long-term track record says otherwise.



Performance of German government bonds (total return) between 1870 and 2020. Source: KuR Research

Supposedly safe investments like government bonds lose their security aspect with the onset of war. The risk of losing purchasing power increases as the war escalates, since the promised interest rate is fixed at the time of issue and is usually not adjusted for inflation. If you still want to hold bonds, buy the winner's government bonds. If you are wrong, however, you can practically write off your investment, as in the case of Germany. Holders of German government bonds lost more than 92% in real terms after the First World War.

In conclusion, we can say that the preservation of the value of financial and real capital is a function of the system. If the system falls, all the values it contains fall with it. Keep this in mind when diversifying your assets.

Diversification means investing your assets in different asset classes such as equities, bonds and real estate instead of putting everything into one asset class. This can reduce the risk of default, as the performance of these asset classes is often not correlated in peacetime. One way to diversify is to use the "1 by n rule", where you spread your assets evenly across all (n) suitable asset classes. This is a simple and effective way to minimize risk, especially when you don't know the future.

If you have a crystal ball, you bet everything on the winner. This is risky, of course. But it is equally risky to downplay the risk that comes from depending on the system. Here is an example from history:

Otto von Bismarck, the legendary statesman and architect of the German Empire, was one of the richest and most powerful men in Europe. Alongside him, his confidant Gerson von Bleichröder, a Jewish private banker, had also amassed a considerable fortune. Both were engaged in what we would today call insider trading at a time of brilliant economic growth. Railway construction was of great strategic importance for the German Empire. Bismarck instructed his private banker to buy land at important junctions yet to be built. Bleichröder made the Chancellor one of the largest landowners in Prussia by purchasing new land. After the lost war and the cessions of territory by the German Empire, however, many of these lands were suddenly out of reach on Polish soil.

3.1 Famous war profiteers

In times of war, therefore, one must approach property protection differently than in times of peace. We understand wealth as the exploitation of as yet unused opportunities and of our own potential, with which we make use of opportunities that arise in times of upheaval in an unconventional, creative way.

This includes social capital in particular: intangible capital in the form of relationships, networks and trust is the foundation on which individuals and groups successfully work together and solve problems. It includes both informal relationships such as friendship and family and formal relationships such as networks and organizations.

Through the trust that exists in social relationships, people gain access to information and resources during war that are essential for their survival and that of their families.

There are examples of individuals and companies who have made profitable deals in wars and armed conflicts by using their social capital, i.e., their relationships with governments and other actors, to gain access to lucrative contracts and resources. This gave them a competitive advantage. However, it should be stressed that this kind of use of social capital is not moral. It can have negative effects on society, especially when it comes to strengthening cohesion in society in times of crisis.

It is also important to remember that war has a huge impact on the economy. Many companies and industries are affected by war and increase their prices or profits in order to survive.

Ask yourself what government demand you could meet as an entrepreneur in the short term and position yourself accordingly. Think of the phases before (A), during (B) and after the war (C).

After the war, for example, there is an enormous need to rebuild the destroyed infrastructure. If you own an (undamaged) cement plant, you will be one of the winners. Hochtief AG, a German company, played an important role in the reconstruction of Germany after the Second World War. The company had a large number of construction projects in Germany, especially in housing, public buildings and infrastructure. Some of the best-known projects Hochtief was involved in were the reconstruction of Hamburg's Elbe Philharmonic Hall, the construction of Frankfurt Airport and the construction of Stuttgart's underground railway.

But it can also be everyday things that are essential for maintaining networks and infrastructure, such as tires or the components needed for them. Carbon black, for example, does not just make tires black, it binds the tire rubber and makes it more resistant to wear. A single car tire contains 3 kg of industrially produced carbon black. Carbon black is a by-product of oil refining and has so far come from Ukraine or Russia. In April 2022, the EU announced new sanctions against Russia, including a ban on tire imports from Russia to the EU. Other countries producing carbon black are mainly China and India.

3.2 Critical Infrastructure during times of war

During the 19th and 20th centuries, a complex network of supply sources and supply chains developed that is essential to modern civilization. The term "supply chain" is somewhat misleading because it suggests a single, linear process. In reality, the supply chain is a network of interdependent components, machines and processes that work together to ensure the availability of goods, machines and processes. They all depend on a functioning energy supply. Without it, we would not be able to operate equipment and machinery. This would severely affect our ability to work, communicate and conduct business. Similarly, clean water is essential for survival. It is needed for drinking water, sanitation, agriculture and many industries. This is why such networks are popular targets in times of war. There are many examples of military conflicts in which the disruption of transport, communication and logistics networks has been used as a key strategy to gain military advantage.

Examples of military attacks on networks

Napoleonic Wars (1792-1815)		The wars led to the closure of ports, disruption of shipping routes, and blockade of ports by naval powers. Disruption of international trade and rising transport costs
Vietnam War (1955-1975)		Destruction of roads, bridges, ports and communication networks to disrupt supply lines. There was a reduction in the volume of trade and massively rising transport costs
Gulf War (1990-1991)		Destruction of roads, bridges, ports and communication networks to disrupt supply lines. There was a reduction in the volume of trade and massively rising transport costs
Afghanistan War (2001-2021)		Destruction of transportation infrastructure, agricultural facilities and factories. Displacement of people led to a reduction in the labor pool and slump in the real economy.

Examples of attacks on enemy networks. Source: KuR Research

Without a functioning transport system, farmers cannot bring their products to market. This leads to crop failures. Livestock would also be affected as feed would become scarce.

This in turn would lead to a shortage of meat, dairy products and other animal products, which would further exacerbate food shortages.

The result, besides famine, would be an increase in infectious diseases and the general deterioration of health. This would have cascading effects on other aspects of society, including economic instability and social unrest.

This is exactly what happened in the last major war: in World War I, the British used a naval blockade as leverage against Germany, explicitly targeting the civilian population.

In autumn 1915, the supply situation worsened due to a lack of deliveries via the ports. The government then decided to slaughter five million pigs (700,000 pigs consumed the same amount of calories as 1.5 million people).

However, the pork was preserved in inferior tin cans and was therefore already spoiled a few months later. The mass slaughter caused a shortage of pig manure as fertilizer, as Germany could no longer import nitrogen fertilizer due to the British blockade. The following autumn was extremely rainy, which caused a bad potato harvest in a country that had produced one third of the world's potatoes before the war.

The population's diet had to be rationed to 90 g of fat, 150 g of meat, 2 kg of bread and one egg per week. In 1916/17, the average supply dropped to 1,000 calories per day (it had been 3,000 calories before the war).

The peak of the supply crisis was reached in the winter of 1916/17. Turnips, which thrive in practically any weather and require hardly any artificial fertilizer, were used as a last reserve. This did not help either. The effects of the hunger blockade by Great Britain were exacerbated by an incompetent bureaucracy in Germany.

Lange ("Wilhelminian Berlin") writes: "Never before had it been shown so openly as in this winter of turnips and afterwards how completely incompetent and rotten to the bone the Prussian bureaucratic system, bred on departmental and caste spirit ... was in reality."

And the writer Stefan Zweig ("Die Welt von Gestern, Erinnerungen eines Europäers", 1942) judged: "Those who correctly adhered to the distribution of food starved to death."

The British strategy proved to be very effective. The hunger revolt among the population and especially among the soldiers ended the emperor's rule and with it the First World War.

The months of unbalanced nutrition and the fact that many vitamins were lost in the processing of the beets also took their toll in the long term.

Already in the summer of 1917, mortality among the civilian population rose drastically. The rate of stillbirths rose to astronomical heights, many people died of tuberculosis. In the winter of 1918/19, 764,000 people died as a result of the hunger blockade. The survivors were left with severe damage.

The English researcher Sterling estimated that Germany would not regain its former strength for two generations.

3.3 Hegemonic threat and the emergence of new networks

Before the Ukraine war, many Russian goods were delivered to Rotterdam via the North Sea. The sanctions have put an end to this. The shift in transport routes has brought Russia, India and Iran closer together. With the increased trade, countries are looking for ways to make the networks more efficient.

The International North-South Transport Corridor (INSTC) is a large and extensive network of 7,200 km; a multi-modal system of shipping, rail and road for the efficient movement of goods between India, Iran, Azerbaijan, Russia, Central Asia and Europe. The development of the corridor is of vital importance to Russia and at the same time a threat to NATO because it undermines its sanctions efforts.

The corridor from Russia to India and from there to Southeast Asia is the logical continuation of the Silk Road. It creates a Central Eurasian trade area that was previously controlled by the British and the Americans.

The Silk Road is synonymous with the network and the numerous land and sea routes that connected East Asia with Europe and the Middle East. With the withdrawal of the West from this region, the entire Caspian region is becoming free. This is comparable to the situation when the Moors withdrew from Portugal and Spain and gave the Portuguese access to the world's oceans, making that nation the new hegemon.

If the West, especially Europe, is excluded from this trading area, where significant economic growth is taking place, there will be a redistribution of wealth similar to the change of hegemony from Spain to the Netherlands described above. Countries of the global South can be full participants in the new system regardless of their accumulated debt in dollars, euros, pounds and yen. Even if they were to default on their obligations in these currencies, this would not affect their creditworthiness in the new financial system.

Central Asia, and Afghanistan in particular, has always been the site of hegemonic wars because important geopolitical interests intersect here. This leads us to expect a flare-up of the "Great Game" in the region. The term "Great Game" was coined by the British writer Rudyard Kipling in his novel "Kim". It refers to the political and strategic rivalry and conflict between the British and Russian Empires in the 19th century. The competition between the two powers was for control and influence over Central Asia, especially what is now Afghanistan, Iran and parts of Central Asia.

The British Empire, with its vast possessions in India, was deeply concerned about the spread of Russian influence in Central Asia. It feared that the spread of Russian power in the region would threaten its control over India and jeopardize its position as the dominant world power. Therefore, the British launched a series of diplomatic, military and intelligence operations in the region to contain and counter Russian expansion. They fought three wars there (1838-1842, 1878-1880 and 1919) to push back Russian influence and stop

Russian incursions into British India. With the armistice of 8 August 1919, Britain finally lost control of Afghanistan.

The Russian Empire, for its part, saw the acquisition of a port and the expansion of its territory to the south as crucial to its strategic interests. It used its own military and diplomatic resources in the region to achieve its goals. The Great Game was characterized by intense competition, intrigue and manipulation. Both sides tried to assert their interests and gain the upper hand in Central Asia.

Despite numerous military conflicts, including the Anglo-Afghan wars and the first and second Anglo-Sikh wars, the Great Game never escalated into a full-scale war. The reason for this was that Britain also set up Islamist regimes in asymmetric wars against the Soviet Union. For its part, the Soviet Union orchestrated an insurgency of communist forces in Afghanistan.

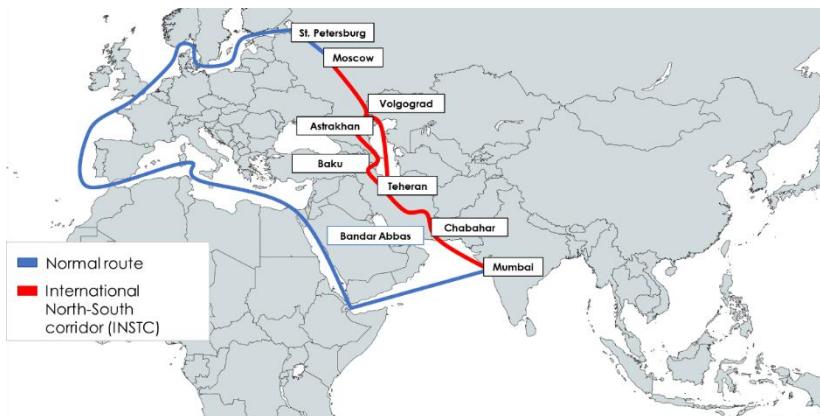
Between 1979 and 1989, the Soviet Union fought in Afghanistan and was supported by India and the German Democratic Republic. The Afghans won the war thanks to massive support from the USA and NATO. Many other states were involved in the conflict, including China, Israel and Turkey. With the withdrawal of the US from Afghanistan in 2021, the "Great Game" is by no means over, it has merely shifted.

Azerbaijan is an important INSTC hub and the target of numerous attacks and drone strikes by various countries. The situation is confused because Azerbaijan is linked to Turkey and Israel, but also maintains historically close ties with Russia. Iran

is allied with Armenia to secure its land route through Armenia into the Caucasus. A war between Azerbaijan and Iran would trigger a chain reaction and draw other regional powers - most notably Turkey and Israel - militarily into the conflict.

One of the most immediate effects of a military flare-up of the "Great Game" among these countries would be the disruption of transport routes. Many of the world's major shipping and air routes pass through areas controlled by NATO or the SCO. Europe would be particularly affected by this impact on trade, as many of the world's major transport routes and supply chains pass through Europe. This would lead to bottlenecks in the supply of goods and raw materials in Central Asia, as well as higher costs for imported goods, which could further fuel inflation.

Moreover, the European economy is heavily dependent on exports. A disruption of trade routes would lead to a decline in exports, economic growth and tax revenues.



The new trade routes bypass Europe. Source: KuR Research

Pay attention to the infrastructure networks, which are quickly affected in a war. Turkey is an interesting case: neutral, but in NATO. It sides with Russia but also supplies drones to NATO. It refuses to support sanctions against Russia, but also offers the EU an alternative way to import natural gas. And of course, its control of the Bosphorus makes it the most geographically important country on the map. If the war were to escalate, it would only be with Turkey's consent.

The US, as the current hegemon, has a vital interest in maintaining its supremacy in the world. In its 2016 publication "War with China, Thinking the unthinkable", the US army-sponsored think tank RAND drew up scenarios for a US war with China. The background is the concern about an increasingly strong China. Between the lines, one reads the conclusion that underlies all the Pentagon's planning and preparations: A war with China must be waged sooner rather than later.

RAND has explained in numerous publications how the USA must carry out this major war. One recommendation is to involve Russia in border wars first in order to tie up its military. To do this, Europe's dependence on Russian energy supplies would first have to be ended. This would paralyses the Russian economy so that it could no longer wage war against NATO. Following this single opinion, the USA's involvement in Syria could be explained: Here, it was about controlling the planned pipelines through Syria to Europe.

At the beginning of 2023 the situation in Ukraine was heading for the next stage of escalation with the winter offensive which however failed. The Russian offensive had to be stopped by all means by the entire West, because, to quote the experts of RAND again, the USA does not have the military capacity for a two-front war with China and Russia. A Russian victory would accelerate the decline of US hegemony. It would be the end of the US dollar (and the euro) as we know it today.

So the Ukraine war is a much more complex phenomenon than most think. All signs point to conflict and it only needs a trigger event to start the hot war.

3.4 Who are the profiteers? Follow the money

"Follow the money" is a well-known phrase. It refers to the practice of following money flows because the flow of money is often a good indicator of who is benefiting from developments. By following the money flows associated with networks, we can see the links between geopolitical power dynamics, political decisions and financial transactions. This can help us make more informed decisions about our own investments.

If important network structures have to be reorganized due to military conflicts, this triggers a redistribution of wealth. The cards are reshuffled and there are many winners. Be guided by these new trends when it comes to optimizing your asset flows.

During the First and Second World Wars, it was mainly the US that benefited from the restructuring of global supply chains in support of the Allies. They used their industrial capabilities and financial resources to supply and support their armed forces and those of their allies. Companies producing military equipment and supplies such as tanks, weapons, ammunition and uniforms saw a large increase in demand for their products. Companies in shipping and transportation, such as shipbuilding, freight forwarding and railways, benefited from increased demand for their services as the Allies transported their troops and supplies around the globe.

The war effort also required large quantities of food and supplies, which increased the demand for agricultural products. At the same time, the demand for oil, coal and other energy sources increased as large quantities of fuel were needed. Banks and other financial institutions also benefited from increased demand for credit and other financial services as governments borrowed heavily to finance the war effort.

How can we apply these lessons to the next Great War?

Many of the world's major oil and gas routes are controlled by NATO or the SCO. A war between the two blocs would cause disruptions in the global energy market, which in turn would make fuels more expensive. The best example is the sabotage of the Nordstream pipelines, which benefited the US, Israel, Turkey, Azerbaijan, Norway, India and China.

Europe has stopped buying Russian oil. This oil is now flowing to India. Surprisingly, the biggest destination for Indian products is the USA. And the biggest Indian exporters to the US are Reliance and Nayara: the main buyers of Russian crude oil. But public sector groups like Indian Oil Corporation (IOC), Bharat Petroleum (BP) and Hindustan Petroleum (HP) have also entered in a big way. The Nayara refinery currently processes almost exclusively Russian crude oil, which Indians receive at a US\$ 10 discount per barrel. With this discount, Indian refiners save US\$ 10 million per tanker.

The exploding energy costs lead to the migration of entire energy-intensive industries from Germany. This benefits the USA and Mexico. At the same time, the USA is replacing Russian

gas supplies to Europe with its own liquefied gas, some of which is four times more expensive.

The trend towards rising defense spending is likely to continue in the future, as geopolitical tensions are massively boosting demand for military and defense products. NATO's modern defense systems based on fifth-generation warfare, for example, depend on a functioning supply chain for rare earths. These are used, among other things, in combat aircraft, armor-piercing ammunition and Man-Portable Air Defense Systems (MANPAD).

The largest producers of rare earths are China and Russia, with 80 % to 90 %. The West is now stepping up its efforts to find substitutes. Norway, for example, which recently claimed to have discovered rare earths in the north of the country, is a good example. Other countries with the capacity to produce rare earths are Australia, Canada, Malaysia, Thailand, Vietnam and especially countries in South America.

3.5 How to do it the right way

In times of major war, it is not uncommon for global supply chains to break down. But resourceful companies have always been able to turn the problem of collapsing supply chains into business opportunities by creatively developing alternative materials and products. Adapting and innovating helped them survive and even prosper in difficult times.

One example is the Ferrero family, which became rich through "Nutella." The Ferrero family's grandfather invented Nutella because there was a shortage of chocolate during World War II. Thanks to his intellectual capital, he was able to draw on a recipe for hazelnut paste that Italian cooks had developed during Napoleon's time. At that time, a blockade of ships from the United Kingdom had caused a shortage of cocoa in Europe. Hazelnuts were used to preserve chocolate. Today, Ferrero is a multinational company.

Another example is the Krupp family. The prominent 400-year-old German dynasty from Essen is known for its production of steel, artillery, ammunition and other armaments for the British, Russian and German armies in World War I. During World War II, it faced raw material shortages and began producing with alternative materials. This helped it to increase raw material supplies and create a new market with a unique product: steel made from low-grade iron ore.

After the Second World War, the Austrian glassmaking family Riedel was left without a factory and means of production. Due to a confiscation by the communist Czech

government, they had lost everything. During the war, they had produced, among other things, picture tubes for radar applications. Rather than despair, the family took a resourceful, determined approach: they began making handmade glass products that they sold at local markets. When the European economy began to recover, the Riedels seized the opportunity to export their products to other countries.

We can note that while the potential risks of supply chain disruption are very high, they also inspire human ingenuity and inspire new solutions. For smart entrepreneurs, this means diversifying their assets, and especially their networks, across different geographies to reduce the risk of losses in a single market or sector.

History is replete with examples of families who rose from humble beginnings to great success. Contrary to popular belief, the key to their success was not the accumulation of financial assets alone. Rather, a holistic approach was crucial to the continuity of their success, which also encompassed other forms of wealth, such as social and generational capital.

Successful families invest not only in social capital, but also in cultural and intellectual capital. One study proves that the successful families in Florence 500 years ago are still among the wealthy families today. And let's not forget the European aristocracy and long-established entrepreneurial families who have been at the top for ten, twenty, some even over 30 generations to this day.

What was the secret of their success that enabled them to survive wars, famines, pestilences and unrest? They invested in assets that were not dependent on an existing system.

When wars had destroyed the existing order, the necessary conditions were in place for families to quickly rejoin the elite in the new order.

An investment in education is beneficial for several reasons: through education, family members can acquire knowledge, skills, and abilities they need for their entrepreneurial or professional careers and increase their chances of success. Intellectual capital is related to comprehensive information management: being able to read the whole radar picture in times of crisis.

This includes the importance of mental resilience: being interested in historical structures of previous times of upheaval and being ready to adapt. When families invest in each other's intellectual capital, it can strengthen family ties, as individuals feel supported and encouraged by their kin.

Parts of the European aristocracy have managed to maintain their wealth despite a variety of challenges, including wars, famines, revolutions, and natural disasters. This was achieved through a combination of strategic planning, financial diversification and political skill.

An important strategy is the ability to anticipate political changes and to coordinate with the ruling powers of the time. European nobles were often able to maintain their wealth by politically skillfully allying themselves with the ruling powers, whether they were monarchs or revolutionary leaders. They did

this by offering their services or resources, for example by providing troops or by supporting the regime financially. This has been a tradition for centuries and is part of the cultural capital of this population group.

Over the centuries, the nobility also had the advantage of having large landholdings. This allowed them to be self-sufficient and sometimes to dictate prices in their region. In addition, land ownership could be used as collateral for loans, allowing them to borrow money in difficult times.

In addition, the European high nobility has the advantage that it can often pass on its wealth to its descendants without damage due to special tax treatment. For example, unlike normal Britons, King Charles III did not have to pay inheritance tax to the British state after the death of his mother Queen Elizabeth II in 2022.

Two more examples:

The Fugger family is considered one of the richest families in history, with an estimated net worth of over US\$400 billion in today's terms. The family's fortune was largely built by its founder, Jacob Fugger, who began his career as an international merchant banker and venture capitalist.

Nevertheless, the family suffered significant financial losses during the 1557 default of the Spanish Habsburgs, whose rise to world power it had helped finance. The end of Spanish hegemony, however, did not mean the demise of the Fuggers.

Through a combination of investments in the social, cultural and intellectual capital of their descendants and diversification

into real estate and land ownership, the Fuggers managed to rebuild their fortunes. According to historians, by 1618 the family already owned 100 villages covering an area of about 250 km², which yielded an annual rent of 5 to 6% on their real estate assets.

The key to success was adherence to the strict rules Jacob Fugger had established, which ensured the family's cohesion. Today, 18 generations later, the descendants of Jacob Fugger continue to live off the asset flows from the wealth algorithm created by their ancestor; in other words, the bundle of systematic methods for wealth preservation.

Baron Mayer Rothschild, the founder of the largest banking empire in the world, played a decisive role in shaping the financial landscape of Europe between 1815 and 1914. It was a time of significant political, economic, social, demographic and cultural revolutions. One of these revolutions was the rise of the United Kingdom as a hegemonic power. The Rothschilds, thanks to their shrewd business sense, not only managed to survive these tumultuous times, but to prosper and amass a vast fortune in the new hegemonic cycle.

In his will, Mayer Rothschild stipulated that the family business should be preserved as a whole. He laid down strict rules for the management of the family business and the family. He had recognized that the close cohesion of the family was essential for maintaining its economic and social leadership.

We can decode the wealth algorithm as follows:

- Decentralized management: Rothschild set up a system in which each of his five sons ran a separate branch of the family business in different countries. Each branch operated independently, but information and resources were shared. This decentralized structure allowed the family to spread its risk and benefit from local market conditions and opportunities.
- Diversification: Rothschild decreed diversification of investments. The Rothschilds have been involved in banking, finance and various other industries for centuries and have a global reach. Today, the family is involved in a wide range of investments and business interests, including finance, real estate, mining, energy, and more. It also has a strong presence in viticulture, agriculture and real estate.
- Information management: Rothschild's sons set up a central office for correspondence to collect and disseminate information about business opportunities and political developments. Instead of relying on the mail or telegraphs, which could be intercepted, they used couriers to transmit sensitive information.
- Mayer Rothschild stressed the importance of secrecy in all financial dealings and instructed his sons to avoid making written records of their transactions whenever possible. They were never to disclose the extent of the family fortune or their business activities to anyone outside the family. He also encouraged the use of codes and ciphers to encrypt sensitive information.

- In addition, he believed that control of the financial press would be crucial in shaping public opinion and influencing government policy. Therefore, his sons should invest in newspapers and other media.
- Social capital: In Rothschild's view, strong political connections were essential to the success of the family business. Therefore, his sons systematically built relationships with politicians and other influential figures. Marriage among cousins was encouraged: Rothschild's descendants were expected to intermarry to keep his wealth and influence in the family. His will excluded female descendants from any direct inheritance. Without an inheritance of their own, only a few marriage partners with the same religion and a reasonable economic and social status were eligible for female Rothschild descendants, except other Rothschilds. Rothschild brides kept the family together. Four of Mayer's granddaughters married grandsons, and one married her own uncle.
- Intellectual capital: Rothschild believed that knowledge was the key to business success. He therefore instructed his sons to invest in their education and training. He also encouraged them to read widely and keep abreast of current events, politics and economic trends. He urged his sons to invest in a wide range of industries and companies, rather than putting all their eggs in one basket. Rothschild advised his sons to always think

about the long-term financial consequences of their decisions, rather than focusing on short-term profits.

Two centuries later, the Rothschild family remains one of the richest and most influential clans in the world - a testament to the foresight and wisdom of Mayer Rothschild and his strict adherence to the principles he established.

- Today's families who want to ensure their generational succession would be well advised to follow these principles as well. However, there are drawbacks to using the Rothschild dynasty as a model:
- Rothschild attached great importance to secrecy and discretion in financial transactions. He set up a central correspondence office that collected information on business opportunities and political developments. Today, this could be considered a misuse of inside information, which is illegal in many countries.
- The financial practices of the Rothschild family and their methods of accumulating wealth have also been repeatedly criticized as unethical and exploitative. They were often accused of using their wealth and influence to manipulate markets, governments and societies for their own benefit.
- Rothschild's principle of intra-family marriages to keep wealth in the family is also considered inappropriate even by modern standards.

Every generation smiles at the fathers, laughs at the grandfathers, and admires the great-grandfathers."

William Maugham

*«The noblest and most honorable task
that life imposes upon us is the raising of
the next generation»*

Unknown

4. Generational Wealth

The preconditions for the wealth of today's generations were often already created in earlier generations. If today's decision-makers can look back on strong generational, social, intellectual and cultural capital, it doesn't matter what setbacks the family wealth has to cope with; the foundations for recovery are in place.

Basically, the family must be seen as a survival unit whose cohesion must be protected by all means. The only person qualified to manage the family assets is you. It is not primarily about financial assets, but about meaning and vision. Your assets (latin: "potentia") are the abilities and possibilities associated with them.

Your success to date is proof that you can influence the future if you systematically contribute your social and

intellectual capital. Teach that to the next generation as well. Last but not least, leaving a legacy to the world and preparing future generations for the special challenges that lie ahead is an enormously personally meaningful activity.

4.1 Examples of the absence of generational wealth

Hugo Stinnes was a German industrialist, businessman and politician of the early 20th century, and was known for his incredible wealth and influence during the German hyperinflation of the 1920s. He managed to amass a huge fortune by cleverly exploiting the economic chaos of the time. Stinnes used insider knowledge and political connections to acquire companies and real estate at greatly reduced prices. He acquired coal mines, shipyards and other industrial enterprises at a fraction of their actual value and used his wealth to buy up other companies and real estate at rock-bottom prices.

Despite his financial acumen and skillful exploitation of hyperinflation, Stinnes was brought down by the same forces that had made him rich: The German government's 1924 currency reform and subsequent stabilization of the economy led to rapid deflation and a general decline in prices, resulting in a sharp devaluation of Stinnes' fortune. In addition, his political influence waned. As the German economy recovered and his companies lost value, Stinnes saw his empire crumble.

Friedrich Flick, another German industrialist, was able to protect his wealth during a long period of political and economic instability: The lost World War I and the subsequent November Revolution were followed by the hyperinflation of

the 1920s, World War II and the total destruction of Germany. During the First World War, Flick diversified his investments and invested a large part of his assets in foreign companies and currencies. This protected his assets from inflation and the economic turmoil caused by the war. During the German Civil War and hyperinflation, Flick used complex legal structures such as trusts and holding companies to save his assets from confiscation and expropriation. He also exploited legal loopholes. During World War II, Flick transferred his assets to neutral countries such as Switzerland and Sweden to escape Nazi seizure.

After World War II, Flick's assets were confiscated by the Allies. But he was able to use his connections and influence to negotiate a settlement that allowed him to keep part of his assets. This enabled him to rebuild his company after the war, which allowed his fortune to continue to grow. However, Flick was unable to build a legacy. His wealth and success led to tensions and conflicts within his family: there was a constant power struggle for control and management of the company and its assets.

Karl Wittgenstein was a well-known successful industrialist of the late 19th and early 20th centuries. Born in 1862, he inherited a considerable fortune from his father, who had become rich in the steel industry. Wittgenstein was a shrewd businessman and was able to increase the family fortune considerably through shrewd investments and strategic acquisitions. He had a keen sense for new business

opportunities and invested in emerging industries such as chemicals, textiles and mechanical engineering.

But Wittgenstein was not immune to the economic and political challenges of his time. The late 19th and early 20th centuries were a time of great economic and political upheaval, marked by the rise of socialist and communist movements and increasing state intervention in the economy. As a Jewish businessman, Wittgenstein had to contend with anti-Semitism. He had to deal with discriminatory political measures and regulations, and he was threatened with expropriation and nationalization of his businesses. Through a combination of political skill, legal acumen and strategic alliances, he managed to protect his interests and preserve his wealth.

Wittgenstein survived all setbacks and even managed to expand his business interests during this period. But he failed to leave a lasting legacy.

This is mainly due to his problematic family situation: Several of his seven children struggled with psychological problems throughout their lives, some committed suicide at a young age, and all suffered from their father's domineering dominance. The very thing that had prevented Wittgenstein's business success prevented the generational transfer and thus ultimately destroyed his entrepreneurial success.

If we ourselves want to avoid such fates, we must detach ourselves from the focus on financial assets. What is needed is a division of wealth into financial, social, intellectual and generational capital.

Social capital, as already described, includes relationships, networks and alliances among families and friends. Physical capital means health; intellectual capital includes knowledge and willpower and is the basis for endurance and inner resilience.

Generational capital refers to family cohesion and the shared cultural values that are passed on from generation to generation. Generational capital is interrelated to the other types of capital. For example, without social capital it is more difficult to build generational capital, but without generational capital it becomes more difficult to acquire social capital.

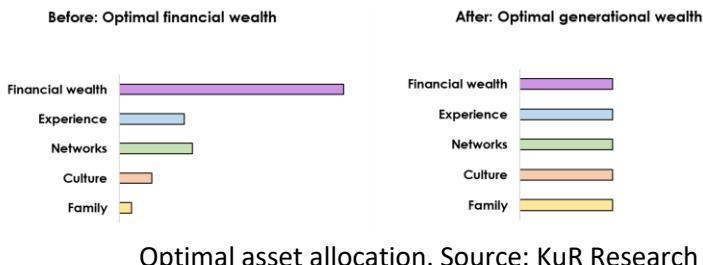
Wealth is a multi-dimensional concept

		Main Benefits	Main Considerations
Real Assets		<ul style="list-style-type: none"> ▪ Real assets ▪ Physical possessions ▪ Family cohesion 	<ul style="list-style-type: none"> ▪ Depreciation ▪ Illiquidity ▪ Taxes
Financial Assets		<ul style="list-style-type: none"> ▪ Long-term growth ▪ Global diversification ▪ Liquidity 	<ul style="list-style-type: none"> ▪ Currency risks ▪ Taxes ▪ Loss periods
Social Capital		<ul style="list-style-type: none"> ▪ Grows with usage ▪ Tax-free ▪ Positive feedback effects 	<ul style="list-style-type: none"> ▪ Grows over a long time ▪ Time required
Intellectual capital		<ul style="list-style-type: none"> ▪ Highest growth rate ▪ Tax free ▪ Highest adaptivity 	<ul style="list-style-type: none"> ▪ Time required ▪ Learn from the best
Generational capital		<ul style="list-style-type: none"> ▪ The values of the parents live on in their descendants 	<ul style="list-style-type: none"> ▪ Children need to know their life's mission

The different dimensions of wealth. Source: KuR Research

4.2 The optimal asset allocation

How much of your limited energy and time budget should you invest in each asset class? Once again, the "1 by n" rule helps here. Without perfect predictive capabilities, you should allocate your energy roughly evenly to increasing the different asset classes. In the chart below, this is illustrated in a simplified form below.



Optimal asset allocation. Source: KuR Research

Teach your children to find their "edge," i.e., their niche or competitive advantage over others in life, and help them realize their full potential. Show them the importance of taking risks, because evolution rewards risk-taking. Entrust them with money so they can take risks and discover their life goals - in a sense, buy your children life skills.

Educating a child is a worthwhile and wise investment because it ensures a lasting legacy that will be passed on in perspective for centuries to come. An educated child has the

power to influence future generations through his or her knowledge and actions.

The European nobility cultivated the wealth algorithm already described earlier. Enormous importance was attached to the education of children. The nobles knew that the greatest threat came not from the outside, but from within their castle. They had to prepare their successors to be able to react appropriately to unexpected threats according to the situation.

Pure factual knowledge was of limited use unless it included all possible future threats. What was needed was wisdom, that is, being able to make the right decision without having all the information. So, it's not about using facts. You also have to be able to draw on information from the subconscious - through what is called intuition.

That is why you cannot educate your children the way your parents educated you. The world you were educated for no longer exists. Instead, it is critical for us as parents today to help our children reach their full potential. To do this, we must invest in generational capital: From early childhood, we should awaken a sense of beauty, enthusiasm for the new and unknown, a sense of sympathy, compassion, and so on.

Only when a child has access to his feelings can he control them. Lack of control over feelings diminishes the ability to concentrate. People without emotional control (e.g. those who do not know their self-worth and are therefore constantly afraid) may grow up physically, but not mentally. Even as adults, they always need an authority to tell them what to do.

What enabled the generations before us to survive, what enabled them to create this great civilization with its amenities and opportunities for everyone through responsibility, high self-esteem, deprivation and sacrifice, is the key to survival. Today, many children are already suffering from depression. As a responsible parent, it is your responsibility to create an emotionally stable environment for your children by modeling worthwhile goals that will give them the confidence to reach their full potential.

4.3 Checklist for your family

- Show your child the importance of (self) discipline, impulse control, self-esteem, and family values or family honor. Discipline refers to the ability to make sacrifices for a higher cause. Help your child find a profession in which he or she will be useful to the community to which he or she belongs. The child should learn to give up immediate rewards now for higher satisfactions tomorrow.
- Adherence to and enforcement of rules ensures the success of discipline; not only in stable orders, but also in times of crisis. Nowadays, this alone is an "edge", i.e., a unique selling point. If you don't have your own rules, you have to follow the rules of others. Of course, this is a battle against the spirit of the times ("Zeitgeist"). Nowadays, even the high nobility has enormous trouble dealing with the narcissism of individual family members.
- Show your child how important it is not to be guided by the Zeitgeist, but to have confidence in his or her own resources and generational capital. Make your child proud to be a [insert your family name here]. Show your child your family tree and explain to him that it is the temporary end of an endless chain of [your last name]. And as [insert your last name], you don't do certain things that go against family culture (e.g., unethical behavior).

- No one is wealthy unless they have the appropriate social skills to maintain their wealth. Relationships and networks must be cultivated from an early age, for example through joint celebrations or get-togethers. Relationships lead to trust, and trust is the foundation for cooperation and cohesion.
- Invest in the education of your children. International schools in Switzerland, for example, are excellent places to build social capital at an early age.
- Show your child how the world works, how cycles connect people across generations in their destiny, and that everything that happens and will happen to them has happened before, so they don't lose hope in the future.
- Build your family wealth along networks. Remember: network structures like the Silk Road have already survived civilization breakdowns.

«"As you know, I come from Switzerland, where the mountains are called the Alps. In Bremen, they're called debts.»

Josef Ackermann, former CEO of Deutsche Bank

«The Germans and the Swiss are very close to each other; they are separated only by the total difference of language»

Raymond Broger

5. Switzerland and Liechtenstein

As stated above, emigration is a strategy to escape war. But fleeing or moving abroad is not always an option. It can also be fraught with a number of challenges and risks, and should be considered carefully and with the involvement of professionals familiar with the political, economic, legal and cultural systems of the destination country. It is important to always keep in mind the geopolitical shifts in global economic power. Be prepared to adjust your plan as needed.

It is also important to have an emergency fund set aside with enough liquidity to cover your living expenses for a few months. In Ukraine, the decree on general mobilization prohibited men between the ages of 18 and 60 from leaving the country as of February 2022. At the beginning of the war, border guards were

still charging about 3,000 euros for the free passage of men with their families; the price rose to over 10,000 euros after nine months. By comparison, the average monthly income in Ukraine before the war was about 400 euros. This explains why it was mainly wealthy Ukrainians who were able to flee to the West.

But even in the place of escape, one is not always safe. Ukraine sent an official appeal to EU countries in early 2023 asking for help in finding men of draft age hiding from mobilization and requesting their transfer to Ukraine. Officials from Lithuania and Latvia wrote on social media in January 2023 that they would comply with this request from the Ukrainian government.

This shows once again the importance of strategic planning to avoid getting into a situation you can't get out of. It's like playing chess: you can't just plan the first move; you have to carefully consider all the other moves.

If you go to a deserted area to sit out the war, you should consider that our life expectancy is a function of the infrastructure that surrounds us. In a remote mountain village, there are no life-prolonging measures. There may not even be a dentist. Consider these aspects when looking for a place to spend the winter.

An alternative could be a country of refuge that is small enough to stay out of geopolitics, at least superficially. Switzerland has a long tradition in this regard, going back almost 500 years. Although in reality Switzerland has never been or will never be completely neutral, the country has

managed to make the best of its precarious position in Europe, surrounded by aggressive kingdoms and empires, through skillful negotiation. Switzerland, with its reputation for stability and security, has long been a sought-after destination for refuge in times of crisis.

A plan for a way out should also include a way back, because, as we know, every war ends at some point. Switzerland is located in the center of Europe and is connected to virtually every major airport in the world. In addition, Switzerland's strong economy and high standard of living are major attractions for those who want to make a fresh start. Switzerland has a long tradition of welcoming immigrants. Many people fleeing persecution and war found a safe haven in Switzerland.

Another important factor is Switzerland's excellent health and education systems, which are among the best in the world and guarantee citizens access to first-class services. Together with the extremely low crime rate and high standard of living, this makes the country an attractive place to live and establish a family dynasty.

Switzerland's neutrality and its long history of political stability due to direct democracy have created a tolerant and open-minded society. This multicultural society is based on mutual respect and understanding. This contributes to a harmonious environment where people from different backgrounds live together peacefully.

Switzerland has many advantages, but one of the biggest is less financial repression by the state. Switzerland also has a real

currency, the Swiss franc, unlike many other countries that only have "soft" currencies.

Move your primary residence to Switzerland and distribute multiple family bases around the world. A family base consists of a property and a family member living there, as well as local investments registered to that family member. Learn from Baron Rothschild - a master at building family wealth. As soon as your children are 16 years old, they should live at one of these family bases for one year at a time. Not only will they enjoy the protection of the family, but they will also learn different languages, develop a global perspective and become independent. In this way, your family can easily diversify its operations globally.

In an emerging war, it may become necessary to send your child, who may be old enough to be drafted, to a (neutral) base at short notice. Again, Switzerland is the optimal country to ensure the survival of the offspring.

Switzerland had its last military conflict almost 180 years ago. The Liechtenstein army had its last engagement in 1866: 80 Liechtenstein soldiers were sent out, 81 came back because an Austrian friend was made on the way.

An important aspect of this strategy is the possession of multiple citizenships and access to additional passports. This allows greater global mobility and can make it easier to travel at short notice in times of crisis. In addition, holding multiple citizenships can provide options for legal protection and security if the situation in the home country becomes untenable.

«The oldest and strongest emotion of mankind is fear, and the oldest and strongest kind of fear is fear of the unknown.»

H. P. Lovecraft

«It is not death that one should fear, but that one will never begin to live.»

Marcus Aurelius

6. The power of mindset

Scientists have studied why some people are able to survive critical situations while others give up. The key factor in survival is a sense of purpose. The "will to live" is crucial to surviving physically and mentally difficult situations.

There are certain psychological thresholds at which people come to believe that life is too difficult and death is the easier option. This mentality can paralyze certain brain regions responsible for initiative, which then leads to a self-fulfilling prophecy of death. This phenomenon can be observed in events such as the "Titanic" disaster. At that time, many more people could have been saved, but they were unable to adapt to the changed circumstances and eventually died as a result.

The following story fits in with this:

My esteemed friend and former banking colleague Alfons Simonius is the great-grandnephew of Alfons Simonius-Blumer, a survivor of the "Titanic" disaster. He was president of Swiss Bank Corporation since 1906 and a colonel in the Swiss Army. Together with his friend Max Staehelin-Maeglin he boarded the "Titanic" as a passenger. His destination was New York, where he wanted to take care of the business of the company Heine & Co. which belonged to Swiss Bank Corporation. Simonius-Blumer bought his first-class ticket in Basel. He boarded in Southampton and occupied cabin A-26. On Sunday evening (April 14), Alfons and Max sat in the first-class smoking room and played cards until shortly after 11 p.m. Around 11:30 p.m., they went to their cabins. After the collision with the iceberg, Alfons went outside to see what had happened. At 0.50 a.m. he boarded lifeboat 3 together with Max. They rowed to keep warm and were finally rescued by the "RMS Carpathia". On May 7, 1912, they both traveled back to Europe. Alfons died of heart failure on May 26, 1920. He left behind a wife and three sons. This is the official version.

What has been passed down in Alfons' family for several generations is the following knowledge: After the collision with the iceberg, the stokers were the first to run to the lifeboats. They had understood the seriousness of the situation. The passengers, on the other hand, refused to get into the lifeboats because there were no signs of an impending sinking. The idea that the "Titanic," which was considered unsinkable, could become a death trap was completely absurd to them. They

could not interpret the information around them correctly because it all made no sense to them. That was the reason why, in the beginning, men were also allowed to get into the lifeboats.

Alfons had felt the jolt and hung his pocket watch with the chain on the door frame. Thus, he realized that the ship was leaning and that he could not lose any time. Alfons got into the boat with the stokers. When the "Titanic" sank with its bow facing forward after the water ingress and its stern lifted out of the water, people were unable to deal with the situation. Many only now understood the seriousness of the situation, but they were paralyzed with fear. The "Titanic" had a total height (without the funnel) of about 53 meters (about ten to 14 floors) and many did not dare to be roped down.

It is estimated that about one third of the lifeboats on the "Titanic" remained unoccupied when the ship sank. After the passengers arrived in New York on the "RMS Carpathia," many needed police protection as they were attacked by outraged relatives of the drowned.

The message of this story: stay alert to what the "stokers" around you are doing. For example, when the families of GIs are flown out of Ramstein, the European headquarters of the U.S. Air Force, you and your family should board a prepared lifeboat, because the hot phase of the war has then begun. Very soon your mobility will be limited and you will be trapped on the sinking ship.

If it becomes necessary, overcome your fears through the willpower you draw from generational capital. "If you have a

why, you have a how," said the famous psychologist Frankl. In other words, you can jump even from a height of 50 meters if you believe in something more important than yourself.

In life-threatening situations, the meaningfulness of life can give people the determination and drive to fight for their survival. In addition, a goal can provide hope. This is a powerful motivator in difficult situations, but also in normal circumstances.

In life, we are often confronted with difficult situations that test our strength and resilience. The example of my friend's great-granduncle proves how people outgrow themselves in extreme circumstances. Anton's great-granduncle was faced with an extreme situation, but he was able to overcome it. His driving force was the love and protection of his family. This selfless motivation enabled him to overcome obstacles in his path and emerge victorious from the threat.

7. Summary and next steps

People who have not experienced war believe that this is the end. On the other hand, if you look at human history as a whole, you find that mankind survived wars, plagues and famines and evolved into what we consider normal today. Everything that surrounds us today exists despite - or perhaps even because of - past times of conflict. Times of upheaval are always accelerators of growth. That should give us hope.

One of the most important things we can do in times of war is to focus on the things that really matter. For families, this means ensuring cohesion and unity in the face of adversity. For you as parents, it means remaining adaptable and resilient in the face of changing circumstances. Take care of it now, not when the crisis hits.

What you should do next right away:

- Take charge of your life, influence your future. Stay informed about the latest developments and apply for our exclusive information channel, which we are currently running on the instant messaging service Telegram. Here you can exchange ideas with like-minded people about possible support points and measures.
- Develop a vision for your family wealth. Develop a strategy for at least the next three generations (75 years). Adapt your asset allocation to this strategy.

- Check how much social capital you already have. Look around in your extended circle of friends and relatives. You are surely going to find people who are in the same situation as you.
- Use your financial capital to build mental resilience in your family. If you already perceive conflict in your family, what will it be like when a real crisis hits?

Note

¹ "KuR Research" goes back to the KuR database since 2008. We first developed the idea for KuR ("Krisis und Resilience") during the global financial crisis of 2008/09. The initial aim was to collect historical success strategies in times of upheaval in order to derive action options for the present. History is full of dramatic phases, and people reacted very differently to changing conditions - some were very successful, others failed. Much can be learned and deduced from both cases if one looks at the general structures behind the particularities of the time. This publication is not intended as a scientific contribution, but is written for the interested public as well as for our customers and colleagues in Europe, China and the United States, who are facing troubled times and are looking for orientation. URL: <https://www.zeitenwende-und-vermoegen.ch>.